



STATESIDELEGAL
Legal help for military members, veterans and their families

Stateside Legal™ Letter Packet

Letter from Service Member

Formal Written Request to Lower Interest Rate on Loans (Protections under the Servicemembers Civil Relief Act)

This self-help resource was created by the Stateside Legal Project. Stateside Legal provides these sample forms and information free of charge to individuals with military connections (IMC). Stateside Legal provides these sample forms and information free of charge to individuals with military connections (IMC). These forms are not based upon any specific state law or jurisdiction. They are intended as samples of how to use the protections of the Servicemembers Civil Relief Act (SCRA) to assist active duty members of the military.

For information about the Servicemembers Civil Relief Act or many more topics concerning individuals with military connections, visit www.statesidelegal.org or contact your local Judge Advocate General's Corps office, sometimes referred to as a military legal assistance office. Use the following website to locate the nearest one: <http://legalassistance.law.af.mil/content/locator.php>.

Read all instructions at the end of this packet very carefully. Some content has been provided by the Department of Defense and the Armed Forces Legal Assistance.

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DISCLAIMER: The Stateside Legal Information Series is produced by the Pine Tree Legal Assistance of Maine®, Arkansas Legal Services Partnership®, and the Legal Services Corporation®. These organizations promote or provide free legal services to eligible low-income people. Additional information can be found at www.lsc.gov. This sample form packet is given to you as a guide to help you generally understand the way legal matters are handled. Local courts interpret things differently. The information and statements of law contained in this fact sheet are not intended to be used as legal advice. Before you take any action, talk to an attorney and follow his or her advice. Always do what the court tells you to do.

SERVICEMEMBER NAME
ADDRESS
CITY, STATE ZIP

DATE

LENDING INSTITUTION
ADDRESS
CITY, STATE ZIP

VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED

RE: SERVICEMEMBER NAME
ACCOUNT NUMBER:

Dear Sir or Madam:

This letter is to advise you that I have been ordered to active duty service with the United States Armed Forces. As a result of my military service, I have lost my civilian employment income. I incurred the above referenced debt prior to entry on active duty. My entry into military service has substantially affected my ability to make the payments that I agreed to make while a civilian.

I entered active duty on (ACTIVE DUTY DATE), and am presently on active duty assigned to (UNIT NAME). The Servicemembers Civil Relief Act, 50 U.S.C. § 3937(a)(1), sets a six percent (6%) per annum ceiling on interest charges (including service charges, renewal charges and fees) during the period of a service member's military service for obligations made prior to the date of entry onto active duty when the active duty materially affects the ability to pay. Since entering active duty, I have experienced a decrease in salary, adversely affecting my ability to pay. Thus, I am requesting an adjustment of this account to reflect the statutory six percent (6%) rate. This rate became effective upon my entry to active duty on (ACTIVE DUTY DATE).

Please ensure that your records reflect this statutory ceiling and that any excess charge is withdrawn. The interest over 6% must be forgiven, not just deferred and my monthly payments must be reduced by the reduction in the interest rate. I have enclosed copies of my orders and a current leave and earnings statement. Please contact me at the above address with a revised payment schedule. Thank you for your understanding and support in this matter.

Sincerely,

SERVICEMEMBER'S NAME

Attachments: *Copy of Current Leave and Earnings Statement; Copy of Activation Orders*

LAW YOU SHOULD KNOW

The purpose of the Servicemembers Civil Relief Act (SCRA) is to provide protection to service members who have difficulty meeting their financial and legal obligations because of their military service. Section 3937 of the SCRA provides the active-duty servicemember with the benefit of a six percent (6%) per annum ceiling on interest charges on loans that were incurred before you went on active duty. This interest rate includes service charges, renewal charges, and fees.

WHEN DOES IT APPLY? This statute requires the creditor to reduce your interest rate to 6% for the period of your military service unless the creditor can prove in court that your ability to pay the higher interest rate is not “materially affected” by your military service. This protection begins on the date of entering active duty service and generally terminates within 30 to 90 days and in certain cases for up to six months after release from active duty.

DOES THIS APPLY TO ME? To qualify, the following two conditions must be true:

1. The debt or obligation must have been incurred before beginning active duty and
2. The service member must show that the ability to pay the debt has been materially affected due to military service (such as a reduced income as a result of military service).

The lending institution may challenge the rate reduction if it can show that your military service has not materially affected your ability to pay.

DO MY STUDENT LOANS QUALIFY FOR THE 6% INTEREST RATE CAP?

Privately financed student loans have always been subject to the interest rate cap provision of the Servicemembers Civil Relief Act (SCRA). Since August 14, 2008, the Higher Education Opportunity Act has also made it possible for servicemembers to use the SCRA to have their interest rate reduced to six (6) percent on federal student loans that were taken prior to their entry into active duty.

ABOUT THIS SAMPLE LETTER:

- This letter provides the required written statement of notice to your lending institution that must be made in writing. Include both a copy of your current leave and earnings statement and a copy of your activation orders that either activated you as a reservist or ordered you to boot camp from civilian life. Once the lending institution receives this notice, then they must grant the relief effective as of the date you were called to active duty, forgive any interest in excess of six percent (6%), and decrease your payment.
- However, keep in mind that the lending institution may challenge the interest rate reduction if they can show that your military service has not materially affected your ability to pay.
- It is a good idea to send this letter by registered mail with a return receipt request.

Read over this letter and make sure the information you have given is correct and complete. The letter in this packet is not based upon any specific state law or jurisdiction. The letter may need to be modified before use in any specific jurisdiction.

More Information

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Thank you for your military service.

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